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World Oilseed Producers Face Crucial Year

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West Germany's farmers are not fully sharing in their country's prosperity, according to a Government report on agriculture and food policy. However, the farm income picture seems headed for a turnaround this fiscal year. See report beginning on page 5.

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World Oilseed Producers Face A Crucial Year in 1975-76

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OIL SEED PRODUCERS in the United States and abroad face a pivotal 1975-76 season, with weather the key factor in a scenario that could mean either continued short supplies and high prices for oilseeds and their products, or the beginning of a new era of abundance.

Current production forecasts point to the latter situation, especially since the United States and Brazil—far the leading soybean producers—anticipate big gains in their 1975-76 soybean crops. On the other hand, bumper outturns also had been predicted for 1974-75, when, instead, unfavorable weather cut U.S. corn and soybean crops and launched another price surge. Last year's price rise, in turn, hit livestock producers dependent on corn and soybeans as feed ingredients, forcing a number of them out of business and contributing to the current sluggish demand for oilseed products.

Other key factors in the 1975-76 picture are the size of fishmeal production in Peru, now recovering from the 1973 failure of its anchovy catch, and palm oil outturn in Malaysia, whose palm oil industry is in the midst of rapid and long-term expansion.

Demand, on the other hand, will be largely influenced by whether livestock production picks up from its depressed state, thus stimulating output of mixed feeds. And that recovery—or any other production rebound—utlimately hinges on consumers' returning to the food counters after having resisted the soaring prices of recent years.

In the United States, which accounts for 65-75 percent of world soybean production, March 1 farmers' planting intentions indicated a 5.3 percent gain in 1975-76 soybean plantings. Assuming an average yield of 26-28 bushels per acre, this would mean a crop of 1.45 million to 1.55 million bushels—just slightly under the 1973 peak. Such a gain, in concert with still-sluggish demand for vegetable oils and meal, could lead to a nearly 20 percent jump in U.S. soybean supply next season.

During the past 20 years, there have been only three U.S. advances of this magnitude, and their impact on the marketplace has been mixed. In two cases, the supply gain sparked price declines. But the most recent increase, in 1973-74, was accompanied by a 30-percent jump in the average price received by farmers. The latter situation was admittedly unusual since it coincided with a drastically low 1973 Peruvian fishmeal production, but the unusual has become almost commonplace in the last few years of widely fluctuating crop outturns.

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Moreover, U.S. soybeans could b[e] moving into a period of below-averag[e] yields, according to long-term yiel[d] data. These show soybean yields fro[m] Corn Belt States fluctuating from abov[e] to below trend in 5-year stretches whe[n] plotted on a 3-year moving average ov[er] the last two decades. If the pattern co[n]tinues, yields would be expected to b[e] somewhat below trend in 1975.

The 1975 U.S. crop, of course, [is] just now being planted, and prices ha[ve] been in a downtrend since last fall—[in] sharp contrast to the price spiral in th[e] summer of 1974 when bad weather r[e]duced crop prospects.

To recap that situation, the mark[et] early on was aware of the many difficu[l]ties confronting 1974 U.S. soybean pr[o]duction. Even in July, when poor cr[op] indications were just appearing, a ste[ep] price rise had already begun. By t[he]

time the early frost hit crops in some areas, the market was anticipating a reduced soybean outturn of around 1.2-1.25 billion bushels, with the actual crop being 1.233 billion bushels.

Since the results had been fully discounted in advance, there was little further price increase when final crop reports came out. Moreover, the early season price rise had been fueled by largely negative reports—including lower crop prospects for sunflowerseed in Eastern Europe and the USSR—and by an accelerating uptake in foreign markets such as the People's Republic of China.

But acceleration in demand turned out to be short lived, and the poor crop reports were soon balanced by positive ones. Among these, were larger shipments from key competitors, such as soybeans from Brazil and palm oil from Malaysia.

What also had not been anticipated was the lag in U.S. exports behind official estimates. Unless the United States experiences a heavier-than-normal export pattern during the rest of 1974-75, carryout stocks of soybeans on August 31, 1975, could be much larger than even currently estimated. This reflects the squeeze on livestock producers around the world and the resulting dip in production of mixed feed. It also reflects Brazil's increasingly formidable role as a competitor.

Brazil is now the single most important U.S. competitor in world markets for oilseeds and products. And this competition is especially keen because it comes in products less distinguishable from U.S. ones than, for instance, Peruvian fishmeal, Canadian rapeseed, or African peanuts.

In any case, Brazil's competitive threat has become increasingly apparent in the curent period of sluggish demand for oilseed products. Last year, for instance, imports of soybeans and meal into some major overseas U.S. markets actually rose in response to low prices for soybean meal in relation to those for grain. But it was Brazil that reaped the benefits of this trade growth, with a 56 percent gain in its calendar 1974 shipments of soybeans and a near doubling of its meal exports.

The United States, in contrast, will end its 1974-75 crop year, with a decline of about 9 percent in combined exports of soybeans and meal—to 16.8 million short tons, meal basis.

For 1975, Brazil is looking forward to the harvest of still another record soybean crop, currently forecast at 9.25 million metric tons, or 340 million bushels. This would be nearly 70 million bushels over last year's harvest—a gain already being felt psychologically in world markets even though the crop has not yet begun moving into export. In trade terms, this would mean the potential to export during the 1975 crop year around 4.2 million metric tons of soybeans and 2.6 million of soybean meal—gains of 50 percent and around 4 percent, respectively, over 1974 exports.

This large crop and pending exports raise the possibility of substantial production changes in the near future should 1975 U.S. production also be large and prices continue their current slide.

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In Brazil, the Government already is concerned about falling prices and is reportedly considering plans to purchase between 1 million and 1.5 million tons (36-55 million bu) of soybeans to store and withhold from the market. The aim is to guarantee Brazilian producers at least $4.50 per bushel.

If Brazil is able to mount such a project successfully, world soybean prices could firm up in the short term. Over the long term, however, the impact on prices could be negative since Brazilian farmers might expand soybean output further even when world prices were signaling the need for some acreage shifts.

On the other hand, it seems unlikely that much of Brazil's 1975 crop will move into consumption before the end of the 1974-75 marketing year. If this is the case—and Brazil still holds a large quantity of soybeans during the 1975 U.S. harvest period—Brazilian producers could be forced to take lower prices. Such a development could interrupt Brazil's production expansion, which otherwise is seen continuing for some time.

Additionally, a number of minor producers in the Southern Hemisphere are now joining the ranks of soybean exporters. Although these producers no doubt have additional expansion potential, they may be reluctant to increase soybean output greatly unless they believe that the potential gains will match the risks.

Another key factor in the oilseed meal picture is Peru, which is still recovering from its small fishmeal outturns of the past 2 years. However, here again, price prospects will have a major influence on the amount of the 1975 rebound, forecasts of which already have been scaled down to around 1.35 million tons from the 1.7 million predicted earlier. Peruvian fishmeal production totaled 898,000 tons in 1974 and only 423,000 in 1973.

On the demand side, it appears likely that some recovery will take place next year in demand for soybean meal if grain crops are abundant and economic conditions improve. But a key question yet remains unanswered regarding the potential market for high-protein meals in the USSR. Any change in livestock feeding methods in that huge country could, of course, have a major impact on world oilseed and meal trade.

Yet another uncertainty is the state of economies abroad, whose current difficulties have in part been caused by sharply increased energy costs and reduced real consumer incomes. These economic problems have contributed to the slowdown in feed demand this year, as have the special problems of livestock producers caught between rising prices for feed ingredients and falling prices for meat and dairy products.

The latter situation appears to be changing, with livestock and poultry feed profitability ratios having made significant gains in recent weeks. However, it is still too early to predict when livestock and poultry producers will begin expanding output. They may wish to have firm assurance of adequate feed supplies from 1975 crops before planning any significant expansion.

On the oil side, the United States faces a somewhat different situation. Not only is this country now experiencing a per capita decline in domestic disappearance of food fats, but U.S. soybean crushing needs for oil are being reduced by significant increases in imports of palm and coconut oils.

These oils, now available in abundant supply, have been selling at substantial price discounts. Consequently, they are

expected to continue to buy their way into traditional foreign markets for U.S. soybean oil, as well as the domestic market.

For palm oil, this will be a long-term situation, continuing into the 1980's as a result of the expansion in plantings now underway in Malaysia. Costs of palm oil products are low, and this tree crop creates an inflexible supply base that will last for the economic life of the trees—20 to 25 years.

Palm oil's increasingly competitive position will thus continue in 1976—and include larger supplies from Indonesia and the Ivory Coast, as well as from Malaysia. At the same time, recovery in availabilities of coconut oil, principally from the Philippines, will be felt both here and abroad.

On the other hand, some oilseeds that were once highly competitive are diminishing in importance. These products include USSR sunflowerseed oil and Canadian rapeseed oil.

Largely as a result of the influx of palm and coconut oils, prices for vegetable oil have already begun to slide from their peak levels. This situation could continue, as increasing vegetable oil production from countries bent on expanding foreign exchange earnings comes on the market.

"Largely as a result of the influx of palm and coconut oils, prices for vegetable oil have already begun to slide from their peak levels."

Looking further down the road, growth in oil consumption will probably resume in the near future and stabilize at around 1.3 million tons a year. Much of this added consumption may come from developing countries, where rapidly expanding populations and gradually improving levels of living continue to spur demand. But consumption in many developed countries may tend to stagnate under the impact of changing eating habits.

Meal consumption in the future is seen rising by 2.1 million tons annually. Although this growth would be in line with past trends, some major changes are seen for individual consuming nations. Consumption in Japan, the leading U.S. market for soybeans, is expected to grow by only 4-5 percent a year compared with 8-10 percent during the late 1960's. Growth in European Community consumption, which rose sharply during the 1960's because of increased feeding rates and expanding poultry and livestock numbers, will also moderate as optimum feeding rates are obtained.

However, this slackening growth in principal markets is likely to be offset by accelerated growth in newer ones such as Eastern Europe, Mexico, and possibly the USSR. Domestic production prospects for meal are rather limited in Eastern Europe and the USSR, and feeding rates for meal are extremely low by Western standards. If these countries adopt the sophisticated feed technology already being used in Western Europe, substantial gains in meal consumption may be realized.

The projected expansion in world requirements for high protein feed will require additional oilseed acreage, despite an upward trend in yield. Growth is expected to be predominantly from soybeans, unless substantial developments take place in the single-cell protein complex. And expansion in the latter depends largely on petroleum product prices, vis-a-vis prices for high protein meal.

Although it is difficult to project the likely growth in direct food use of vegetable protein, demand in this area seems likely to accelerate and about offset any lag in the growth of animal feed consumption.

Meanwhile, despite the growing challenges in the oil and meal export markets, the United States remains well in the lead, accounting for over 50 percent of world exports of high protein meals, and about one-fifth of world fats and oils exports. It also is fortunate in having a prosperous domestic market that uses up a sizable portion of the U.S. soybean crop.

Future Prospects for Oil and Meal

What lies ahead for world oil and meal industries? Long-term projections foresee the following key changes:

MEAL

- Continued sharp expansion in soybean output in Brazil and minor producing countries in Latin America.
- Slackening rate of growth in U.S. soybean production, reflecting limited acreage. Future growth will be largely from double cropping and trendline growth in yields. Actual production and export availabilities will be determined by soybean prices relative to those of competing crops.
- Little or no growth in fishmeal production following some expected recovery in Peru and Chile.
- Possible small expansion of oilseed production in the European Community if susbtantial subsidies are made available.
- Limited expansion in exports of peanut meal from West Africa and India following their recovery from recent drought. The expansion would reflect some increase in acreage, as well as possible stabilization of yields at higher levels if planned irrigation projects are completed.

OIL

- Accelerated growth in palm oil production and exports from West Malaysia, Sabah, Indonesia, and the Ivory Coast.
- Continued above-trend growth in soybean oil from Brazil and certain minor producing countries, including Argentina.
- Some growth following recovery in Philippine coconut oil production.
- Some growth following recovery in West African peanut oil output.
- Slackening growth in fish oil production following an expected recovery in Peru and Chile.
- An accelerated decline in U.S. lard production, reflecting higher grain prices and continued shifts toward production of meat-type hogs.

Farm Income Dip Concerns Germans

At end-1974, West Germany reportedly pulled ahead of the United States as the world's wealthiest nation, per capita. Yet German farmers apparently did not share fully in the prosperity growth, according to the Government's 1975 report on agriculture and food policy. The report—presented to Parliament on February 28—showed that German farm incomes fell by 0.3 percent to average only $7,681[1] per person in 1973-74.

Farm leaders have been particularly vocal concerning the wide gap between farm and nonfarm income growth revealed in the report. In contrast to the skidding farm income situation, wages in "comparable" occupations jumped a healthy 13 percent to $7,951. And for all West Germans, per capita income at end-1974 was the highest of all industrial nations, just edging out the $6,850 per person in the United States.

The reported falloff in farm incomes took most West Germans by surprise—it was a striking reversal of the Government's earlier prediction of a 6-10 percent rise. And the turndown was particularly dramatic compared with the leap of 40 percent in farm incomes in 1971-72 and 20 percent in 1973-74.

Blame for the dip in farm incomes in 1973-74 is relatively simple to assign. Input prices—especially of energy—surged, farm receipts leveled off, and the rate of migration to nonfarm jobs slackened, owing to growing unemployment in other occupations. Adjusted for inflation, said one Government official, German farmers suffered an income loss of around 7 percent.

A closer look, however, reveals serious difficulties in comparing farmers' incomes with those in other occupations. While nonfarm wages have increased steadily year by year, German farm incomes have shown characteristic ups and downs. When income growth is averaged over a 5-year period, farmers seem to have shared almost fully in the country's prosperity.

Also, the farm income picture seems headed for a turnaround this fiscal year. A recent survey of sample farms shows that net per capita incomes of farm workers are well on the road to recovery, with income gains of from 3 to 8 percent reported. Government predictions also portend a further advance for 1975-76.

The hoped-for improvement in farm incomes in 1974-75 will still depend strongly on farm receipts, input prices, and off-farm migration, as determined by unemployment. So far, farm price developments have been mixed. Prices have risen sharply for grains, sugarbeets, milk, wine, and to a lesser extent, cattle. Prices of hogs, potatoes, calves, and eggs are substantially below last year's levels.

Overall, however, cash receipts from farm marketing should strengthen. Noteworthy gains are expected for cattle, eggs, grains, sugarbeets, and flowers. But receipts from hogs will be lower, since larger marketings will come nowhere near offsetting reduced prices. Receipts could also soften for potatoes, vegetables, wine, and particularly, fruits.

Also, stock changes are influencing production value. Livestock inventories may level off or even decline compared with last year, while total production value is slated to rise by a slight 0.3-2.3 percent.

Not surprisingly, input prices are predicted to continue rising, pushed up by the 1974 fertilizer price increase. Also, prices of energy and other inputs received from the industrial sector have been considerably higher than in 1973-74.

On the other hand, relaxed feed prices are providing marked relief to livestock farmers. Further, because of the record grain crop, the volume of feed imports should be relatively small. For all inputs together, costs are projected to rise by between 3.4 and 6.1 percent.

Considering the likely production values and input costs, and assuming a 3 percent off-farm migration, per capita farm incomes could range from a minus 3 percent to a plus 2 percent over last year's level. Migration of 4.5 percent would shift incomes from between minus 1 to plus 4 percent, compared with the 1973-74 level.

The profitability of farming is, of course, the keystone to West Germany's future farm production. It also plays an important role in agricultural policy decisions, which in turn bear heavily on the European Community's common agricultural policies.

Germany's farm output has continued to rise steadily, but the rate of increase has slowed during the past few years. Conversely, food demand has burgeoned—a trend that reversed this year as a mood of caution constrained spending.

Domestic agriculture, according to the 1975 report, supplied about 88 percent of West Germany's food needs in 1973-74. This left room for $12.6 billion worth of agricultural imports in 1974, headed by livestock and products, fruits and vegetables, and animal feeds, which together comprised a two-thirds share.

Of West Germany's agricultural imports, the United States furnished $1.6 billion worth in 1974, making the country the second largest U.S. farm market, behind only Japan. Leading U.S. export earners were oilseeds and products, accounting for about half of the trade, with grains second at 28 percent of the total.

Agriculture's role in West Germany's highly industrialized economy is small, the 1975 report indicates, with the farm sector accounting for only 6.7 percent of people employed in 1973-74, including temporary labor. By the same token, agriculture's contribution to the Gross Domestic Product was less than 3 percent—suggesting to some that the gap between farm and nonfarm incomes was marked indeed.

Some commentators, however, are questioning whether incomes of dependent workers in industry and self-employed farmers are comparable. The Government, for example, admits that no wage groups in industry and commerce compare fully to agriculture. The best comparison, they admit, would be entrepreneurs in medium-sized businesses with capital investments similar to agriculture. Because of lack of records in this sector, however, the comparison is impossible, so that

Continued on page 16

[1] Converted at the 1973-74 rate of US$1=DM2.6.

A LOOK AT ECONOMIC CONDITIONS IN KEY U.S. FARM MARKETS. PART 1.

Japan, West Germany, Canada, and the Netherlands

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The first of two articles on economic conditions abroad, the following discussion focuses on the four top U.S. Agricultural markets—Japan, West Germany, Canada, and the Netherlands. Part II of the series, in the April 28 issue of *Foreign Agriculture*, will look at the economies of four other major markets—the United Kingdom, France, Italy, and South Korea.

United states agricultural exports. which just ended their fifth year of unprecedented growth with a $22-billion sales tally for 1974, face a formidable challenge in 1975—maintaining this expansion in the face of economic problems in most major U.S. farm markets. How these countries come through their economic difficulties, and how soon, will have a major impact on demand for U.S. farm exports in the years immediately ahead.

In the leading U.S. farm markets of Japan, West Germany, Canada, and the Netherlands, slow or negative economic growth is expected this year. However, a weak first half could be followed by an upturn in the second half, with the final outcome depending largely on fiscal and monetary policies of the various governments. Growth rates could be strengthened by expansionary policies, but governments still feel the need to tread carefully between deep unemployment on the one hand and destructive inflation on the other.

On the international side, however, the four markets have fared better. Two of them—West Germany and the Netherlands—have held onto favorable current account balances at a time when greatly increased oil prices have caused huge trade deficits in many oil-importing nations. Moreover, Japan's trade ledger last year held up better than expected, and Canada had a small—but not too bothersome—current account deficit.

Japan. U.S. agricultural exports to Japan—far the largest overseas farm market—rose 16 percent to $3,428 million in 1974, even as Japan's economy was suffering one of its most difficult years in postwar history. However, virtually all of the gain came from higher prices, with generally static or declining volumes reflecting in part the weakness of the Japanese economy. This weakness—in concert with lower commodity prices—will probably continue to have an impact on U.S. farm sales to Japan in 1975.

Japan's economic problems have been most pronounced on the domestic front, where inflation continued strong last year even though the country had slumped deeper into recession—a common problem among developed nations today but quite severe in Japan. Reflecting the slowdown, new orders for machinery in October 1974 were down nearly 46 percent from the year earlier, and automobile sales plummeted 22 percent. At the same time, inventories of consumer goods were up 26 percent; intermediate goods, 37 percent; and mining and manufacturing goods, 39 percent.

Unemployment has been edging up also, even though employers in Japan carry a special responsibility to keep workers employed once hired.

In contrast, prices during 1974 climbed sharply, with the consumer price index, on the average, 24.5 percent above the average level of 1973. Wages (monthly earnings) for regular wokers in manufacturing were up 26 percent; and unit labor costs, up 38 percent. Interest rates also climbed—by 1 to 4 percentage points last year.

The high interest rates, especially, reflect the cautious economic course Japan has been taking, in contrast to the U.S. attack on recession via expansive fiscal and monetary policies. Japan's discount rate—the rate at which commerical banks borrow from the central bank—has been maintained at 9 percent, the highest in Japan's postwar history. Moreover the Organization for Economic Cooperation and Development (OECD) expects no substantial tax cut during Japan's 1975 fiscal year (April-March 1975-76) and foresees the commitment in fiscal 1975 of only a small part of public works appropriations deferred last year.

Such tactics could delay Japan's emergence from its slump, but may finally have begun to dampen inflation. For instance the OECD forecast in December that private consumption expenditures would increase 5 percent in the first half of 1975 and 4 percent in the second, but these estimates now appear too high. in view of continued sluggishness in Japan's economy. On the other hand. the wholesale price index for the 12 months ended January 1975 was up only 10 percent, and the consumer price index, 13 percent.

On the international front, Japan in many respects appears to have adjusted well to the problems caused by higher oil prices. The exchange rate of the yen relative to the dollar—while below its 1974 peak reached in April—was stable from August to December and has since strengthened. International monetary reserves rose more than 10 percent during 1975. And a sharp increase in the volume and value of Japan's exports, together with a decline in volume of imports, has helped soften the impact of costly oil imports.

Although the OECD estimates that Japan had a 1974 current account deficit of $4.8 billion (compared to virtual balance in 1973), it projects a balance again in 1975. This balance will be assisted by considerable improvement in the long-term capital account.

The country's overall balance of payments managed a $128 million surplus in September 1974 (compared with a $513 million deficit the previous month)—the first surplus in 19 months. This was followed by surpluses in October through December but then a huge deficit of $1.2 billion in January 1975. And more deficits may be in store for the months ahead, since recent information on letters of credit indicates a softening of exports in the near future.

West Germany. A $1,592 million market for U.S. farm exports in 1974—35 percent more than in the previous year—West Germany boasts one of the world's strongest currencies. And its economy held up fairly well during the current economic difficulties.

While it has not escaped the "stagflation" now prevalent throughout the world, Germany's inflationary problems have been milder than those of most countries. Its inflation rate in 1974, for instance, was only 6-7 percent—without reservation, the best performance for any advanced nation. Domestic consumption rose 5.5 percent—less than in 1973—but overseas demand for German goods, except automobiles, was well maintained throughout 1974.

ON THE OTHER hand, the country's real Gross National Product (GNP) was held to a tiny 0.4 percent gain in 1974, according to preliminary estimates, with most of the weakness in the latter half of the year. This slowdown was also reflected in ebbing consumer confidence, which at the time of a November 1974 survey was the lowest in 6 years, and in rising unemployment—nearly 1.2 million by the end of January 1975, a postwar high. And, finally, building permits in 1974 were only 417,300—the lowest since 1949—and business failures equalled 7,722 cases—another postwar high.

On the international side, Germany's position was much more favorable—in fact, an enviable one from the viewpoint of most Western nations. As a result of the still-strong foreign demand for German products—and the extreme strength of the mark—the Nation entered 1974 with a very high level of foreign exchange reserves. These reserves were equivalent to 5-6 months of imports—or about $33 billion worth—and remained virtually unchanged throughout 1974.

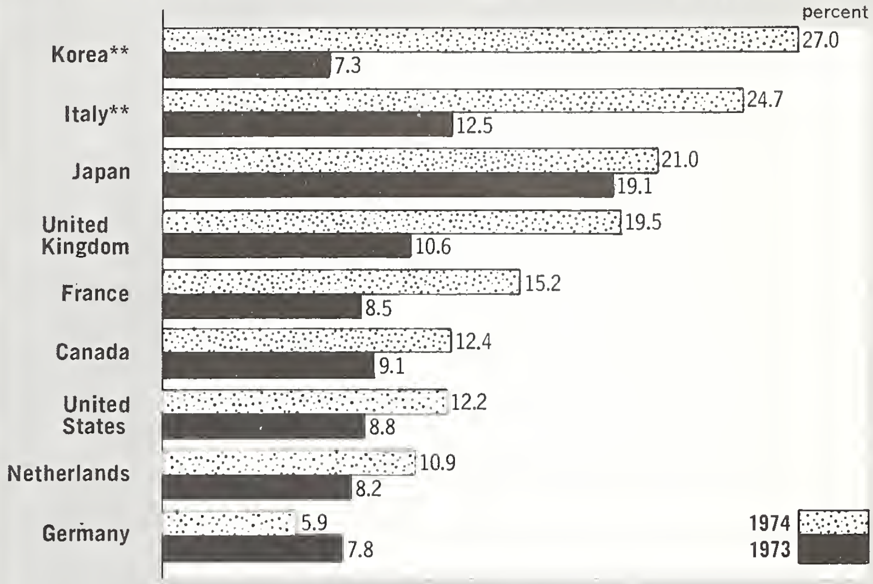
Additionally the German mark has risen steadily in value vis-a-vis the U.S. dollar. By the end of 1974, its value, in terms of U.S. dollars, was about 12 percent over the January level, and further gains were made in the first few months of 1975.

Inflated oil prices did little to weaken this foreign trade position, despite the fact that oil makes up about 46 percent of Germany's energy needs and is supplied entirely by imports. The position could be undermined some in 1975 should Germany run into lagging foreign demand for its products, but even here a still-sizable backlog of foreign orders would soften the impact.

Meanwhile, a tax cut effective January 1, 1974, should give a boost to the German economy, as should the recent expansion of the money supply. Moreover, new orders received by the textile industry are on the increase, and mortgages promised by credit institutions are beginning to rise, indicating that residential building may improve soon.

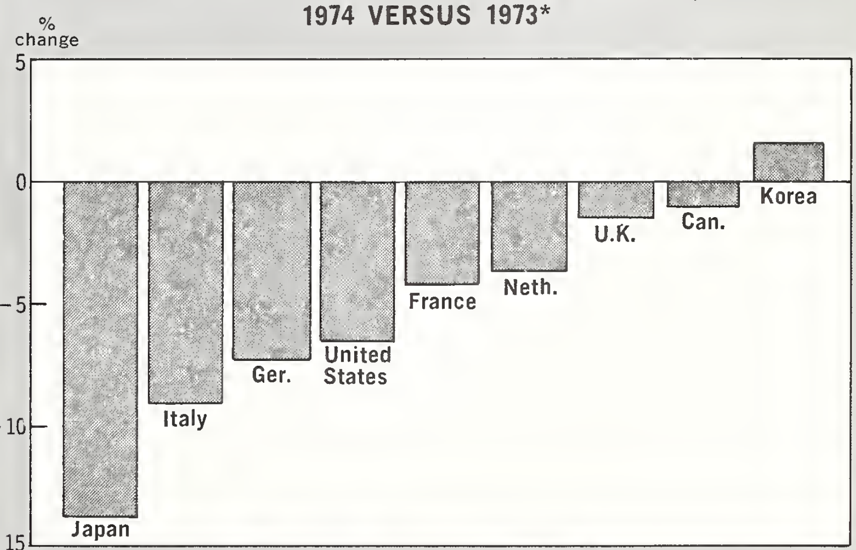
The German Government itself sees slightly better times ahead, projecting a GNP growth of 8-9 percent, reduced to about 2 percent real growth after subtracting out price gains due to in-

CONSUMER PRICE CHANGES IN EIGHT U.S. FARM MARKETS*



*December-December change. **Preliminary

CHANGE IN INDUSTRIAL PRODUCTION INDICES IN EIGHT U.S. FARM MARKETS, 1974 VERSUS 1973*



* From 12 months prior to latest monthly data available, mostly Nov. and Dec. 1974.

flation. Both figures are greater than in 1974.

Canada. This country also greatly increased its imports of U.S. farm products in 1974—by 25 percent to $1,280 million. Although in large part the result of higher prices, the expansion also reflects Canada's strong external financial position and relatively strong economic performance last year. Recent reports. however, indicate a slowing down in the Canadian economy.

Canada's international monetary reserves remained fairly constant throughout 1974, and the Canadian dollar, relative to the U.S. dollar, also stayed on an even keel. This stability reflects Canada's role as an oil exporter, and its increase last year in oil prices (by means of an export tax) to levels comparable to those charged by Organization of Petroleum Exporting Countries. Thus, from an international viewpoint. the country should have little trouble paying for imports in 1975, assuming a normal level of world trade.

Domestically, economic activity in Canada was fairly strong in 1974. with the GNP estimated up about 3-4 percent—below the long-term note of 5 percent but higher than for many developed nations. Similarly, private consumption last year rose an estimated 5.25 percent, down from 8 percent in 1973 but above the average for other nations.

Strikes by labor in the second quarter of 1974 and weak U.S. demand for Canadian goods were primary factors slowing Canada's growth below trend. Housing starts fell in response to tight monetary policy and the rising cost of homebuilding. Inflation was comparable to that in the United States but is expected to moderate in 1975 as a result of a larger supply of raw materials, the likelihood of improved crops. and the possibility of raising productivity.

There are nonetheless many uncertainties in Canada's 1975 outlook. A survey of businessmen reveals that plans for capital investments for 1975 are up 30 percent over 1974. But OECD in December 1974 foresaw no marked pickup in real earnings until mid-1975, despite a recent acceleration of wage rates. Rising prices and slow, if any, growth in employment are the major offsetting factors.

Estimates for real growth by OECD and others range from 1 to 4.5 percent —depending on the judgment made as to the effectiveness of Government action in stimulating the economy. And after these estimates were made, unemployment surged by 220,000 between December 1974 and January 1975, raising the seasonally adjusted rate from 6 to 6.7 percent. This development was due in part to the economic slowdown in the United States, especially in the automobile sector.

Because the United States and the Canadian economies are tied so closely, they very probably will react similarly. With stimulation from tax rebates by the U.S. Government and the reduction of excess inventories now on hand in the United States, the Canadian and U.S. economies are most likely to enter the expansive phase of the business cycle in the latter part of 1975. This should provide support for U.S. agricultural exports to Canada.

The Netherlands. This country was an especially good market for U.S. farm exports last year, increasing its takings 30 percent to $820 million. Here again, a favorable foreign exchange position contributed to the enlarged trade, as did higher prices. But the Dutch economy itself weakened considerable during 1974 and has continued weak so far in 1975.

Despite some fluctuations, the Dutch external financial position strengthened in 1974, when measured by international monetary reserves and the exchange rate of the guilder. Reserves at the end of the year were up 6 percent, and the guilder had risen 11.5 percent vis-a-vis the U.S. dollar. Also, through the first 3 quarters of 1974, the Netherlands incurred a surplus on both its current account and overall balance of payments ledgers.

Partly responsible for this favorable showing is the Netherlands abundance of natural gas and dependence on oil for less than 46 percent of total energy requirements. Natural gas's role is seen rising further. with production peaking in about 1980—a trend already well underway in the 12 months ended last September, when natural gas output rose by over a third.

Even though the Netherlands is managing fairly well, "stagflation" has become a problem. Consumer prices rose 10.5 percent in 1974, and about the same rate is expected in 1975. At the same time, unemployment is on the increase, and the quota of foreign workers has been tightened. According to Government figures, the number of unemployed persons rose by 13.9 percent between November and December 1974 to reach a total of 189,700. Also, the number of bankruptcies in commerce and industry during 1974, at 3,155, surpassed 3,000 for the first year since World War II.

To stimulate the economy, the Central Bank lowered its discount rate in October. Furthermore, recent budget proposals and actions indicate a more expansive economic policy stance. With this stance, and if the strong balance of payments position can be maintained, the Netherlands should provide a strong market in 1975.

Of course, Dutch exports could fall should a large number of industrial nations attack their balance of payments problems by restricting imports. This would be particularly harmful since exports equal about 45 percent of the country's GNP. However, there is little expectation that countries will institute such policies; expansionary measures taken by West Germany are helpful.

GREEK TABLE OLIVE OUTPUT

The 1974 table olive output in Greece is estimated at 63,800 metric tons (processed weight) about the same as last year. The normal decline due to the biennial cycle has been offset by favorable weather and new trees that came into bearing. Quality of the crop was considered very good.

Exports during 1973-74 totaled 25,000 tons, down 5,000 tons from those of the previous marketing year. The decline was due primarily to decreased foreign demand triggered by the world's economic ills. Exports during the 1974-75 year are forecast at 25,000 tons. West European countries are the principal purchasers of Grecian olives. Greece does not import any olives.

Owing to the decline in the 1973-74 export total, the 1974-75 carry-in amounted to 15,000 tons, about 6 000 tons more than that of a year earlier. Domestic consumption of olives remains stable at 23,000 tons.

The Government-established minimum export prices are, on the average, about 15 percent above those set last year. The Government subsidy for the 1974-75 crop of green olives is 2 cents per pound.

Value and Volume of 1974 U.S. Tallow, Grease Exports Up

By JAMES P. O'MARA
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Exports of U.S. tallow (edible and inedible) and choice white grease in calendar 1974 showed sharp increases in volume over those of 1973, with Japan the No. 1 market for U.S. inedible and Mexico for edible tallow. Total value of all three categories also increased markedly.

Exports of tallow and grease—at 2,565.1 million pounds—were 329.5 million pounds, or 15 percent higher than the 1973 level. During the past 10 years, U.S. exports have generally been increasing and a study of the period shows the 1974 total to be second only to the 2,569.2 million pounds shipped in 1971. Volume increases by category, compared with those of 1973, were: Inedible tallow, 12 percent, edible tallow, 226 percent, and grease 58 percent. Value increases for all three rose by an average of 176 percent.

Increased sales of tallow and grease primarily resulted from the high prices of substitute vegetable oils (even with production boosts in countries such as Malaysia), and lower output of tallow and grease in some exporting and importing countries. The United Kingdom is normally a major market for Australian and New Zealand tallow and grease, but because of a drop in the number of cattle slaughtered in the latter two countries in 1974, export availabilities were smaller. This caused the United Kingdom to increase its volume purchases of U.S. tallow and grease to above the 100-million pound mark.

Increased domestic cattle slaughter in a few European countries, particularly Belgium, the Netherlands, and Spain, cut their imports of U.S. tallow. Slackened demand (especially for industrial-chemical uses) in these importing countries was also a factor in their reduced imports.

Exports of inedible tallow reached 2,423.6 million pounds, up from the previous year's 2,163.2 million. The value increase for inedible tallow exports (1974 compared with 1973) was 68 percent, with the total going from $287.2 million in 1973 to $483 million in 1974.

The current price of inedible tallow is around 10 cents per pound. Prices are expected to fluctuate within a narrow range, and exports are expected to remain relatively good for the next 6 months of 1975.

Ranking second after Japan, Korea was a top purchaser of U.S. inedible tallow. The two countries bought 333.3 million and 205.3 million pounds, respectively. Korean purchases were 9 percent greater than the previous year's 187.6 million pounds, but the Japanese total was 16 percent lower than the 394.8 million pounds a year earlier.

Edible tallow shipments in 1974 totaled 53.2 million pounds, the largest quantity shipped between 1950 and 1974. Value of edible tallow exports was $11.6 million, 330 percent larger than the $2.7 million of a year earlier.

The top markets for U.S. edible tallow—in addition to Mexico—were Japan and Canada. Although Japan's takings were only 9.8 million pounds they represented a nearly one hundredfold jump from the 100,000 pounds of 1973. Mexico's purchases represented a 149 percent increase in 1974 to 31.9 million pounds (compared with 12.8 million the previous year), while Canada's imports were down by 24 percent —2.2 million in 1974, compared with 2.9 million a year earlier.

U.S. EXPORTS OF INEDIBLE AND EDIBLE TALLOW AND GREASE

Type and country	1970	1971	1972	1973	1974	Change between 1973 and 1974
Inedible tallow:	*Mil. lb*	*Mil. lb*	*Mil. lb*	*Mil. lb*	*Mil. lb*	*Percent*
Japan	382.6	351.9	314.1	394.8	333.3	−16
Korea	101.7	150.8	173.0	187.6	205.3	+9
Egypt	135.0	123.2	142.2	142.4	208.8	+46
Netherlands	141.0	169.1	131.3	242.9	167.0	−32
Brazil	5.2	70.3	45.8	54.8	135.9	+148
India	189.5	336.3	79.1	37.0	107.7	+191
United Kingdom	59.3	55.5	45.2	61.8	102.8	+66
Italy	84.0	60.3	95.3	79.1	102.2	+29
Spain	112.7	139.4	179.9	123.1	83.1	−33
Pakistan	107.1	91.0	83.0	57.3	57.1	−1
Mexico	68.0	35.1	4.6	37.5	45.0	+20
Belgium/Luxembourg	36.2	68.7	95.9	66.5	18.9	−72
Other	605.5	788.3	779.8	678.4	856.5	+26
Total	2,027.8	2,439.9	2,189.2	2,163.2	2,423.6	+12
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent*
Value	176.1	215.7	172.5	287.2	483.0	+68
Edible tallow:	*Mil. lb*	*Mil. lb*	*Mil. lb*	*Mil. lb*	*Mil. lb*	*Percent*
Mexico	.8	.2	.1	12.8	31.9	+149
Japan	5.9	([1])	0	.1	9.8	+9,700
Canada	3.8	3.7	3.9	2.9	2.2	−24
India	0	0	7.8	0	0	— —
Korea	0	2.2	0	0	1.1	— —
Other	.5	.1	.6	.5	8.2	+1,640
Total	11.0	6.2	12.4	16.3	53.2	+226
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent*
Value	1.0	.7	1.2	2.7	11.6	+330
Grease:	*Mil. lb*	*Mil. lb*	*Mil. lb*	*Mil. lb*	*Mil. lb*	*Percent*
Volume	150.3	123.1	87.8	56.0	88.3	+58
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent*
Value	13.8	11.1	6.9	7.4	17.0	+130

[1] Less than 50,000 lb.

U.S. Mohair Prospects Seen in Eastern Europe

By ABNER E. DEATHERAGE
Foreign Market Development, Livestock and Meat
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Shearer (right) clips mohair from Angora goat in Texas. Expansion of U.S. mohair exports would help allow profitable recovery of U.S. mohair production.

A POTENTIAL market of about 3 million pounds of mohair—worth about $4.5 million at mid-March prices—in five Eastern European countries is a viable short- to medium-term prospect, according to a U.S. Government-industry mohair market survey. This potential volume would be an increase of close to 1 million pounds from the current import level.

A joint FAS-Mohair Council of America trade team reached this conclusion following a 3-week trip that included calls on trade contacts in Poland, Czechoslovakia, Hungary, Yugoslavia, and Romania. (Bulgaria was included in the team's itinerary, but flight cancellations caused by adverse weather precluded this trip.)

The strongest trade interest and indications of larger potential markets for U.S. mohair were noted in Poland and Czechoslovakia. Polish officials, during the visit, approved a trial order for 55,000 lb of U.S. mohair worth about $85,000 at mid-March prices. Hungary and Romania showed significant interest, and Yugoslavia indicated some interest.

These countries have imported U.S. mohair only via third countries (especially the United Kingdom), and in most cases have been unaware that a considerable portion of their mohair imports actually were of U.S. origin.

Although insulated to a degree from the vagaries of economic shifts experienced in the Western World, the economies of Eastern European countries are, nevertheless, not isolated from such changes and must expect to be adversely affected in varying degrees from present and future world economic difficulties.

Still, in the trade team's opinion, this Eastern Europe market appears relatively strong and holds reasonable potential for increased consumption of U.S. mohair, particularly if the most-favored-nation (MFN) trading status becomes established between the United States and Czechoslovakia, Hungary, Romania, and Bulgaria. This trade status already exists with respect to Poland and Yugoslavia.

A favorable factor indicating potentially larger mohair consumption in most Eastern European countries is the remarkable emphasis that all the various segments of the population—especially in urban areas—place on being very well dressed in stylish, good-quality apparel. This is particularly evident in Poland, and in varying degrees in other Eastern European countries. Prices of apparel in Eastern European capital cities tend to be somewhat higher than in the United States.

ALTHOUGH data on the disposal of consumer income are not readily available, empirical observation indicates that many consumers in the centrally planned economies of Eastern Europe prefer to spend a fairly large portion of their disposable income on apparel and home furnishings. Available data in Hungary indicate that these consumers spent about 13 percent of their income on clothing and 9 percent on furnishings in 1974.

This preference is in contrast to many of the Western economies, where large shares of consumer disposable income go for such items as housing, automobiles, major appliances, and leisure activities.

In the centrally planned economies, housing, medical care, basic foods, and mass transportation are heavily subsidized and there are fewer leisure expenditures. Apparel and some furnishings are forms of personal expenditure in which individuality can be expressed. High-quality fabrics, such as those containing mohair, have enjoyed steady demand.

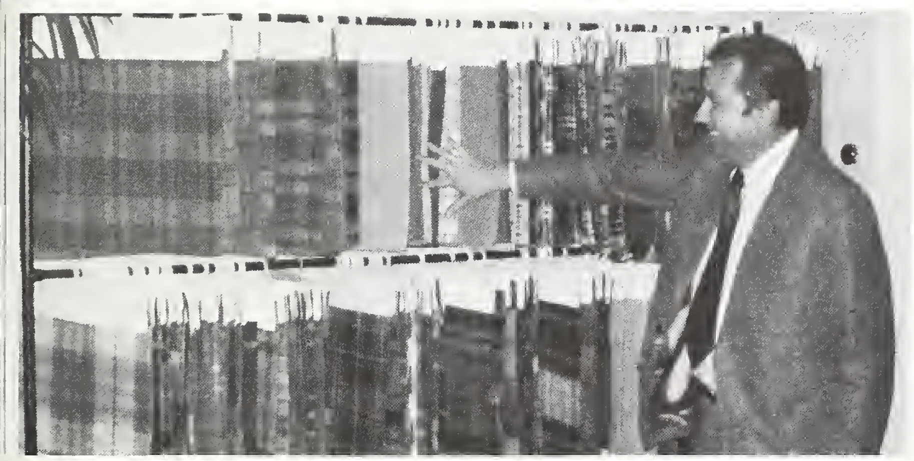
Most mohair processed in Poland and other Eastern European countries is now consumed in shawls, scarfs, coatings, and suitings. It is believed that more mohair could be used for these purposes and also more in knitwear, upholstery, and other furnishings fabrics. Also, it is possible that imported mohair may be substituted in some textiles for imported synthetic fibers.

Some mill equipment and technology for mohair in the Eastern European countries are in need of improvement, and various officials have indicated interest in new equipment and production methods.

With proper promotion, buyer servicing, and competitive prices, exporters of U.S. mohair should gain a substantial share of these expenditures.

Barter is a popular trading method in all Eastern European countries, and in some cases undoubtedly would appeal to trading officials in these countries if offered by U.S. mohair exporters.

Government-industry mohair trade team members (left) A.E. Deatherage, FAS; E.F. McManus, Mohair Council; Eugene Craighead, U.S. State Dept.; and L.D. Whitehead, Mohair Council, confer in Bucharest with Maria Munteanu of Romonotex, Romanian Government textile agency. Jerzy Latuszewski (below) Polish Textilimpex official, displays samples of mohair-wool coating fabrics at Primelan mill, Lodz.



For instance, in 1972 Yugoslavia bartered tobacco to the United Kingdom in exchange for 440,000 pounds of mohair—perhaps of U.S. origin. And reportedly Bulgaria is arranging for shipment of its oriental tobaccos to the United States for near-term entry or to be stored in bond.

Part or all of this tobacco may be for near-term entry for actual consumption, or it may be stored—perhaps in bond—for 1-2 years of aging and to await the possible establishment of MFN trade status between Bulgaria and the United States. When this trade is transacted, Bulgaria will likely import an equivalent amount of high-quality U.S. flue-cured and burley tobaccos and possibly other items that could include mohair.

The marketing and merchandising methods for mohair, wool, and other animal fibers in the centrally planned economies are usually controlled by one agency in each country, having two or three top-ranking officials who have authority to sign documents. In most cases, government agencies operate all businesses of more than five employees.

Import marketing channels usually operate as follows:

- The purchasing agency buys all of a country's raw materials on the basis of mill requirements.
- Economists and other officials of the purchasing agency analyze mill's supply requests and determine these requirements; draw up necessary specifications, prices and transportation costs, and other data; and request samples from prospective suppliers.
- Upon approval of the samples by the mill, an order for raw material is placed with the purchasing agency by the mill. The purchasing agency makes the final import purchase commitment.

An increase in the U.S. mohair export level would help to provide an important short-term alternative to the threatened reduction of U.S. Angora goat herds, and in the medium to long term—assuming reasonably early world economic recovery—would help allow a profitable recovery in U.S. mohair production level, perhaps close to as much as the 1971 production of 15 million pounds annually. The 25-30 million pound production level of the 1960's is currently considered substantially too high for maintenance of a reasonable and steady price level.

U.S. exports of mohair totaled 9.3 million pounds in 1973, of which the major share of 7.8 million pounds went to the United Kingdom, 475,000 pounds to Japan, 420,000 pounds to Italy, 354,000 pounds to France, 64,000 pounds to West Germany, and 219,000 pounds to all other countries.

In 1974, U.S. exports amounted to 7.4 million pounds, of which 5.8 million pounds went to the United Kingdom, 564,000 pounds to Italy, 492,000 pounds to France, 254,000 pounds to West Germany, 24,000 pounds to Japan, and 288,000 pounds to all other countries. Direct export to East European countries have been nil.

WORLD BANK GROUP INCREASES FARM AID TO TANZANIA

The World Bank Group is appraising proposals for textile manufacturing and dairy development in Tanzania that would bring total Bank Group assistance to Tanzania to $100 million for the fiscal year ending June 30. This total would be double the Group's lending to Tanzania in fiscal 1974.

In the current fiscal year, the Bank and its soft-loan affiliate, the International Development Association, have approved loans and credits of $8.5 million for a national site and services project; $10.2 million for highway development; $10 million for the Kigoma integrated rural development project; $18 million for the Kilombero sugar project; and $30 million to provide foreign exchange for essential imports.

The Group's current lending program reflects greater emphasis on increasing agricultural production in Tanzania.

West Berlin's Green Week Fair Draws Half a Million Visitors

West Berlin's 22nd annual Green Week fair attracted nearly half a million visitors, many of whom purchased U.S. food and food-related products displayed at the U.S. pavilion sponsored by USDA's Foreign Agricultural Service.

More than 50 German importers supplied approximately 1,000 food and nonfood items for display and sale. A supermarket at the U.S. pavilion, operated by a West Berlin retail food chain, reported total sales of about $61,000.

Total vending stand grosses, which included consumer sales of popcorn, corn on the cob, grapefruit, and orange and grapefruit juice, amounted to about $40,000. In addition, bulk sales of popcorn of about $27,000 were made to the trade only. Most participants reported making important new trade contacts during the show.

FAS sponsored four representational functions—a lunch for West German Minister of Agriculture Josef Ertl, a reception for the food trade, and lunches for the Agriculture Committees of the West German Bundestag and the European Community.

West Berliners of all ages sampled U.S. food products during the Green Week Fair held January 24-February 2 (above). U.S. officials met frequently during the week with West German Government and industry officials over coffee and snacks, and members of the West German press sought information (two far left photos). Portion of an American-style supermarket (left) that reported brisk trade for the 10-day period. Panoramic view of U.S. exhibit (below), including supermarket entrance and crowds. A special medal of honor was awarded the U.S. exhibit, which included the supermarket, five vendor stands for on-site consumption of food and drink, and a lounge for U.S. functions.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	April 15	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.30	+24	5.37
USSR SKS-14	(1)	(1)	(1)
French Milling [2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	4.92	+10	5.17
U.S. No. 2 Hard Winter:			
13.5 percent	4.79	0	4.97
No. 3 Hard Amber Durum	7.11	+31	6.53
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.18	−16	3.30
French Maize [2]	3.15	−12	(1)
Argentine Plate corn	3.91	−10	3.63
U.S. No. 2 sorghum	3.05	−15	3.18
Argentine-Granifero sorghum	3.02	−14	3.15
U.S. No. 3 Feed barley	2.72	−6	2.83
Soybeans:			
U.S. No. 2 Yellow	6.33	−9	6.42
EC import levies:			
Wheat	1.24	+2	0
Corn	.70	−17	.17
Sorghum	1.00	+1	.20

[1] Not quoted. [2] Basis c.i.f. west coast, England.
NOTE: Price basis 30- to 60-day delivery.

Greek Corn Imports Down, But May Climb in 1975-76

Greece's import requirements for corn in 1975-76 are currently projected to be about 600,000-800,000 metric tons. Greece imported 950,000 tons in 1973-74, and imports of about 600,000 tons are expected in 1974-75.

Brazil Raises Wheat Support Price

The Brazilian Government has set the new guarantee price to wheat farmers at $7.30 per bushel—an increase of 34 percent over the old support price. Additionally, the Government is granting farmers a 40 percent subsidy on fertilizers, retroactive to January 1, 1975.

The increased support price plus the fertilizer subsidy should enable wheat farmers to realize a profit of about $29 per acre, an increase over 1974 of 49 percent, which is higher than the expected rate of inflation. This tandem approach to increasing wheat production, instead of just raising support prices, was chosen so that farmers, faced with a cost-price squeeze, would not reduce the use of fertilizers.

Brazilian officials are optimistic about the effects of these incentives and are currently forecasting next year's wheat production at 3.6 million metric tons—a 20 percent increase over the current crop.

South African Grain Production Expected To Decline

South Africa's first official estimates for the 1974-75 corn crop soon to be harvested place production at 9.9 million metric tons or 7.1 percent below the record 1973-74 harvest of 10.6 million. Sorghum production is currently estimated at 575,000 tons, compared with 635,000 in 1973-74—a decline of 10.4 percent.

The first 1975 estimate is based on conditions prevailing as of the end of February. However, some officials have indicated a possible increase in the corn estimate if weather conditions improve in the eastern growing districts, which have been suffering from excessive rain.

Burmese Rice Crop Revised Upward But Is Still Below Last Year's

Burma's 1974-75 rice crop is now estimated by unofficial sources at 8 million metric tons, up 300,000 tons from earlier estimates. Reseeding operations following last summer's floods apparently have been more successful than previously indicated, but production is still expected to be about 5 percent below the record 1973-74 crop.

Of perhaps greater significance is the increased Government procurement resulting from sharply higher prices offered by the Government to farmers. It is now estimated that 1.65 million tons (milled basis) will be collected by the end of April, nearly twice as much as was procured from the previous crop. Consequently, Burma's rice exports are expected to exceed last year's level of 200,000 tons by at least 50 percent.

OILSEEDS AND PRODUCTS

New Zealand Researching Oilseed Production

New Zealand is stepping up its research into the growing of oilseeds, as margarine consumption climbs. Margarine usage reached 5,000 metric tons this year, an alltime high.

A large dairy in the South Auckland region has had several plots of soybeans under cultivation in the 1974-75 season—its goal is to make New Zealand self-sufficient in the production of vegetable oil. The country imported more than NZ$2 million (US$2.74 million) of oils for margarine in 1974, plus considerable amounts of soybean meal.

In addition a large international firm has begun to promote

soybean production in the Gisborne area and intends to establish a crushing plant if production becomes viable. But, except for some isolated regions, New Zealand's rather cool, wet climate is not well-suited for soybean production.

New Zealanders apparently are becoming increasingly aware of the role of polyunsaturates in the diet, and interest in margarine as a substitute for butter has grown. The big hurdle for margarine usage is its price—while New Zealand butter sells for NZ32 cents per pound, and at times is as low as 28 cents, margarine usually brings 69 cents per pound. Until quite recently, margarine could be purchased only on doctor's prescription through a pharmacy.

Iran Predicts Soybean Output Will Triple in 1975

The Government of Iran forecasts that 1975 soybean production will reach 100,000-120,000 tons, compared with only 36.000 tons in 1974. To bring about this increase in production. Iran's Ministry of Agriculture in cooperation with the Cotton Organization and Vegetable Oilseed Research Company is attempting to shift almost 200,000 acres of cotton land to soybeans.

Farmers are being offered 132 pounds of soybean seeds at a 50 percent price discount, 275 pounds of fertilizer at a 20 percent discount and a production loan of $59 at 4 percent interest, for every 2.5 acres of soybeans planted. The Government is prepared to pay growers approximately $9.63 per bushel.

African Groundnut Council Planning Market Promotion

A representative of the UNCTAD/GATT International Trade Center (ITC), informed the 9th Session of the FAO Intergovernmental Group on Oilseeds, Oils, and Fats that the African Groundnut Council is scheduled to undertake market promotion programs for peanuts by May 1975.

Based on a survey, the ITC is scheduled to assist the Council in planning market promotional activities in France, West Germany, Switzerland, and the United Kingdom. In addition, a workshop on aflatoxin detection, prevention, analysis, and control has been scheduled for late 1975 in Mysore, India. The workshop will be sponsored by the Swedish International Development Authority.

Hungary Plans To Increase Oilseed Production in 1975

Production of four major oilseeds in Hungary—sunflowerseed, rapeseed, flaxseed, and soybeans—is expected to increase in 1975. The planned area for these crops in 1975 totals 558,000 acres, an increase of 16 percent from the 483,000 of 1974.

The 1975 plan calls for 311,000 acres of sunflowerseed, nearly 30,000 acres more than in 1974. Over 260,000 acres are expected to be sown to high-oilbearing Soviet varieties. Production of sunflowerseed in 1975 could reach 160,000 metric tons, if normal weather prevails during the season.

The soybean area in 1975 is expected to expand to 123,000 acres from 35,000 in 1974, with much of this additional land probably coming from rapeseed. If Hungary succeeds in planting the additional acreage, soybean production in 1975 could reach 60,000 metric tons and become the second most important oilseed crop in Hungary. Authorities are hopeful that soybean production in the next few years will reach at least 120,000 tons from 247,000 acres.

One of the major changes in plans for the 1975 oilseed crops was a reduction in the rapeseed area to 62,000 acres from 131,000 in 1974. Rapeseed production in 1974 totaled only 62,000 tons, and the quality of the crop left much to be desired. Experimentation with foreign varieties of rapeseed continues.

Plans for 1975 call for a substantial increase in the flaxseed area, from 35,000 acres in 1974 to 62,000 this year. Although flaxseed output in Hungary is small—17,000 tons in 1974—it is important for industrial uses of linseed oil.

Canada To Sow More Rapeseed But Less Flaxseed, Soybeans

Canada's estimate of planting intentions for the principal oilseed crops in 1975, released on April 4, indicated an increased area for rapeseed but a decline in flaxseed and soybean acreage.

Based on an intentions survey of producers on March 15, Canadian farmers indicated that 3.825 million acres would be planted to rapeseed this year, an increase of 17 percent or 565,000 acres from the 3.26 million in 1974. If favorable weather conditions prevail and the average yield is maintained at 17 bushels per acre, rapeseed production in 1975 could approximate 65 million bushels, 23 percent above the 1974 outturn. The 1974 rapeseed crop was limited to 52.9 million because of adverse weather conditions.

The flaxseed area, indicated at 1.37 million acres, would be 9 percent or 130,000 acres below the 1.5 million of 1974. Flaxseed production, however, may not decline to the same extent, because production in 1974 was greatly reduced by unfavorable weather.

The soybean area in 1975, now planned at 425,000 acres, indicates a decline of 4 percent or 20,000 acres from last year's 445,000. Soybean production in 1975 may be reduced accordingly, since last year's soybean crop was little affected by Canada's adverse weather in 1974.

DAIRY AND POULTRY

Canadian Egg and Poultry Hatchings Drop Sharply

In apparent reaction to surpluses and unsettled market conditions during much of the year, hatchings for egg, broiler, and turkey production in Canada fell markedly in the fourth quarter of 1974. Dominion-wide, Canadian egg-chick hatchings were about 7 percent less than those of a year earlier, with the largest decrease in Ontario, by far the leading egg-producing Province.

The year-to-year reduction in broiler-chick hatchings, in which all Provinces shared, was 11 percent. Hatchings of lightweight turkeys were 25 percent below the previous year's level; and those of heavyweight turkeys were down 42 percent. Although egg-chick incubation had recovered slightly by mid-February, broiler-chick eggs in incubators were 9 percent below the February 1974 level. Heavy turkeys were also down.

Despite reductions in egg-chick placements throughout 1974, egg production in 1975 is expected to remain in excess of egg

marketing quotas. Broiler production for 1974 was roughly equal to that of a year earlier, with heavier slaughter weights offsetting a yearlong 4 percent decline in placements. A possible shortfall in lightweight turkey output during early 1975 may be offset by drawdown from large stocks of turkey meat.

EC Dairy Herd Declines Slightly

The EC's dairy cow herd in December 1974 was estimated at 25.5 million head, down about 0.5 percent from the level of a year earlier. The effects of the decline should be erased by the upward trend in milk production per cow.

The overall EC cow herd held unchanged in total numbers from December 1973 to December 1974, indicating that numbers of nondairy cows increased—probably by about 1 percent. Nondairy cows constitute about one-fifth the herd.

Mexico's Dry Milk Imports Continue

Mexico continues to run a whole milk deficit—estimated at 2 million liters per day—despite a reported 5.3 percent annual increase in milk production. To offset this deficit Mexico imported 60,000 metric tons of powdered milk in 1974 from Canada. New Zealand, Ireland, and the United States.

Prior to 1973, the United States was a major supplier of nonfat dry milk but tight U.S. supplies in 1973 and early 1974 held exports to Mexico to less than 1,000 tons during each of the past 2 years.

Mexico will probably increase its imports of nonfat dry milk to 80,000 metric tons in 1975, much of which will be used in Government-subsidized milk programs.

The Mexican Government has announced that increased emphasis will be given to dairy output. In 1974, imports of dairy cattle numbered 29,000 head, mostly bred heifers. Average milk production per cow is increasing due to improved breeding and management; however, the average remains relatively low at 2,500 pounds per cow.

COTTON

U.S. Raw Cotton Exports Lagged During August-February

Still unresolved contract problems in Asia held U.S. raw cotton exports during February 1975 to 380,000 running bales, 36 percent below shipments a year earlier. and cumulative August-February exports to only 1.9 million bales, down 33 percent from the same period last season. U.S. cotton exports for the 1974-75 marketing year are currently projected at 3.3 million running bales, down 2.4 million bales from 1973-74 shipments of 5.7 million. The sharp drop, almost entirely to Asian destinations, reflects cancellation and expected postponement of delivery against some contracts.

Cumulative August-February exports to Europe were 467,000 bales—12 percent above the same period a year earlier—despite low February shipments totaling 89,000 bales. Higher shipments were made in the 3 previous months. Continued low shipments to Asia and Oceania, totaling 265,000 bales in February, dropped the cumulative August-February total to that market nearly 1 million bales or 43 percent below shipments for the same period last season. Cumulative August-February shipments of 63,000 bales to Africa and the Middle East, primarily Nigeria, were higher than a year earlier, but those to Western Hemisphere countries, mainly Canada, declined 33 percent to 124,000 bales.

World Cotton Area for 1975-76 Expected To Fall

The March assessment by agricultural attachés of 1975-76 cotton planting intentions in 16 foreign non-Communist countries, continues to point to a potential reduction in cotton acreage of some 1.5 million acres or 8 percent during the upcoming season. These countries currently represent about 40 percent of harvested acreage in foreign non-Communist areas and almost 60 percent of foreign no-Communist production. This compares with an indicated 29 percent reduction in U.S. cotton acreage from 13,979,000 acres in 1973-74 to 9,952,000, as reported in the March planting intentions report.

The largest foreign reductions are expected in Mexico (down 650,000 acres), Turkey (down 400,000), Iran (down 250,000), and the countries in Central America (down 250,000). Reductions totaling an additional 500,000 acres are also likely in several of the larger African countries.

With Communist production not expected to vary significantly from the current season along with only minor changes in India's acreage and production, a foreign production decrease of over 2 million bales in 1975-76 is implied.

Increased production during 1974-75 coincides with a prospective reduction in world consumption of over 3 million bales this season. Thus, the prospect of a record world carryover of more than 30 million bales at the end of the current season continues as a price depressing factor.

Recent strength in cotton prices is attributed to significant prospective acreage reductions in several important exporting countries including the United States, a lack of strong selling pressure from exporting countries holding abnormally high stocks, and pending U.S. legislation on cotton loan rates and target prices that may be favorable to cotton producers.

It should be noted, however, that changes in prices of competing food crops, Government price support policies, or the cotton demand outlook immediately prior to planting could even this late alter planting and current predictions.

GENERAL

More Tariff Hearings Scheduled

The U.S. International Trade Commission has expanded the scope of its recently announced nationwide hearings, adding seven cities to the schedule. At these hearings, the Commission will seek views on the economic impact of future tariff rate changes that the President can make through international trade agreements, and on preferential duty-free treatment for imports from developing countries under the Trade Act of 1974.

Hearings, originally announced for 14 cities, now will be held in 21. The remainder of the hearings schedule, as expanded, is as follows:

Houston, Tex., April 22-23; Los Angeles, Calif., April 24-25; Pittsburgh, Pa., April 29-30, Detroit, Mich., May 1-2; Miami, Fla., May 5-6; Camden, N.J., May 7-8; and Augusta, Maine, May 9-10.

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Dip in Farm Incomes Concerns West Germans

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farmer incomes are compared with those of dependent workers.

Critics of farm sector policies also point out that farmers, like some other businessmen, are subject to special risks, but the risks provide the chance of particular success. They base this opinion on statistics that show that farm incomes during the past 5 fiscal years grew at about the same rate as in comparable occupations—an average of 12 percent a year. In real terms, since 1968-69, farmers were worse off than other groups two times and ahead four times. Although some farmers consistently earned less than other economic groups, some were dramatically ahead of other sectors.

Thus, the average data show only a very rough picture. Differences in income by type of farm are tremendous. According to the 1975 report, per capita incomes of livestock and poultry farmers, for example, ranged between $6,500 on small farms to $18,000 on larger farms.

Regional differences in farm incomes are also enormous. Farmers in the prosperous Schleswig-Holstein region had the highest incomes—$9,500—with those in Hessen the lowest—$6,400.

Even wider and more significant, however, are the income differences between farms of the same size and type. This suggests that the knowledge and enterprise of individual farmers is a bigger factor in income than such environmental items as structure, location, and soil—or even farm policy.

According to a German newspaper report, "These figures are really alarming." In industry, it continues, economic aid is proffered to those in need of help; agricultural policy is geared to assisting the rich farmer, thus depriving his needier colleague. An example cited is the recent Brussels farm price decision, where sugarbeet farmers, known to earn the highest incomes, were granted the highest rates of increase—more than 12 percent.

One explanation for the wide disparity in farm incomes has been suggested by the German Agricultural Social Society (ASG). This group contends that farm incomes differ mainly as a result of "personality factors"—education and training, rather than economic factors. These, of course, cannot be changed by shifts in economic, market, or price policy.

On farms where incomes fall below the $7,700 average, the Society concludes, incomes can be improved only through nonfarm work. Such farms account for 45 percent of the agricultural area and keep 50 percent of the Nation's milk cows.

Fortunately, the report continues, 80 percent of West German farms already receive nonfarm incomes, although income from off-farm employment is greater than farm income on only two-thirds of these farms. The shift to off-farm occupations should be encouraged, the Society feels, with farm organization adjusted to lighten the double burden on the farmer.

—Based on a report from
Office of U.S. Agricultural Attaché, Bonn

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